



2023 ANNUAL REPORT

RED ROCKS[®]
CREDIT UNION



RED  ROCKS

9332



9332

BREAK

OUR PURPOSE

Enriching Lives™

OUR CORE VALUES

Relentless Care for Others

Do The Right Thing and Do It Well

Engaged Collaboration

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I. A LETTER FROM OUR PRESIDENT/CEO AND CHAIRMAN OF THE BOARD



DARIUS WISE
PRESIDENT AND CEO



JOERI CARTY
BOARD CHAIRMAN

As we reflect on the past year, it's with immense pride and excitement that we share the incredible strides and achievements Red Rocks Credit Union has made. In 2023, we dedicated our focus to enhancing our infrastructure, laying down the groundwork that has helped pave the way for exceptional growth and scale.

A key component of our success lies in the recalibration of our leadership team. We've rebuilt and rehired a strong leadership team boasting over 70 years of collective financial industry experience. This seasoned team of professionals brings invaluable insight and vision, steering our organization toward new heights. Furthermore, the establishment of the Audit and Risk Committee within the board underscores our commitment to robust oversight and governance, reinforcing our members' trust in our stewardship.

In 2023, we've made significant strides in member-impacting technology investments through our utilization of BaZing checking accounts and marketing automation which resulted in membership growth of 4.3% for the first time in several years. From immediate enhancements to those with a more gradual impact, our purpose of Enriching Lives™ has been unwavering. Our dedication to strategic planning has yielded tangible results as we've crystallized our three-year strategic plan and corporate goals.

Our Corporate Goals Include:

- Being an employer of choice.
- Operating in the top quartile of member experience.
- Growing to \$500 million in assets

Moreover, we've reaffirmed our identity through a comprehensive articulation of "Who We Are," and it's through these efforts that our connection with our members and community has grown. One of the most exciting developments of the year is the re-engagement of our relationship with Lockheed Martin, culminating in the launch of a new branch on the Waterton campus in late 2024. This partnership represents a significant milestone for our organization in marrying our history with our growing future.

We would like to express our deepest gratitude to our members for your loyalty, trust, and the opportunity to serve you. As we strive towards innovation and growth, we remain committed to keeping your needs at the forefront of everything we do.

Here's to Enriching Lives™!

Darius Wise

PRESIDENT AND CEO,
RED ROCKS CREDIT UNION

Joeri Carty

BOARD CHAIR,
RED ROCKS CREDIT UNION

SENIOR LEADERSHIP TEAM

DARIUS WISE

PRESIDENT AND CEO

BETSY GUERRERO

EVP/CHIEF FINANCE OFFICER

DUC CHU

CHIEF TECHNOLOGY OFFICER

CHRISTINE RAMOS

SR. VICE PRESIDENT OF PEOPLE SERVICES

BOARD OF DIRECTORS

JOERI CARTY

CHAIRMAN

CESAR AMICARELLA

VICE-CHAIR

JULIE MENSING

TREASURER

TIFFANY WATTS

SECRETARY

ANDREA PRICE

BOARD MEMBER

JOE MASSAQUOI

BOARD MEMBER

AGNES AUDEBERT

BOARD MEMBER

II. REPORT OF THE TREASURER

Since 1999, Red Rocks CU has earned a 4-Star (excellent) or 5-Star (superior) financial rating by Bauer Financial, excelling in the areas of capital adequacy, profitability, and asset quality.

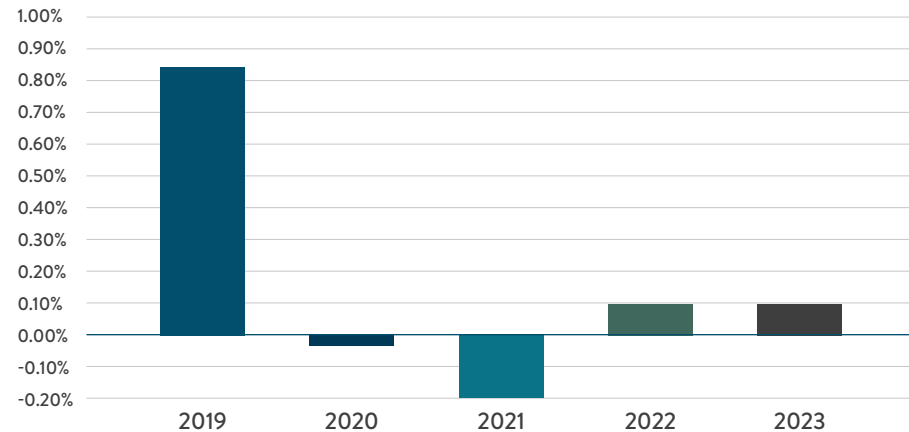
These ratings reflect our commitment to maintaining a safe and sound credit union, so we can enrich the lives of our members, helping them achieve their hopes, dreams, and aspirations by providing sound financial advice, affordable rates, and great local services.

Similar to 2022, 2023 was a challenging year for the financial services industry as the economic environment put pressure on interest and dividend expenses, which were partially offset by increased interest income. The Credit Union was able to mitigate the impact of the increased cost of funds by reducing operating expense, coming in at 6.6% under budget.

In addition to navigating the challenging economic environment, the Credit Union implemented Accounting Standards Update (ASU) No. 2016-13, on January 1st, 2023. This standard requires institutions to reserve the expected lifetime loss of a loan, instead of the one year expected loss previously recorded. The initial adjustment was made to the balance sheet in January of 2023 and resulted in a \$1.9 million reduction in the net worth of the credit union with no impact on earnings.

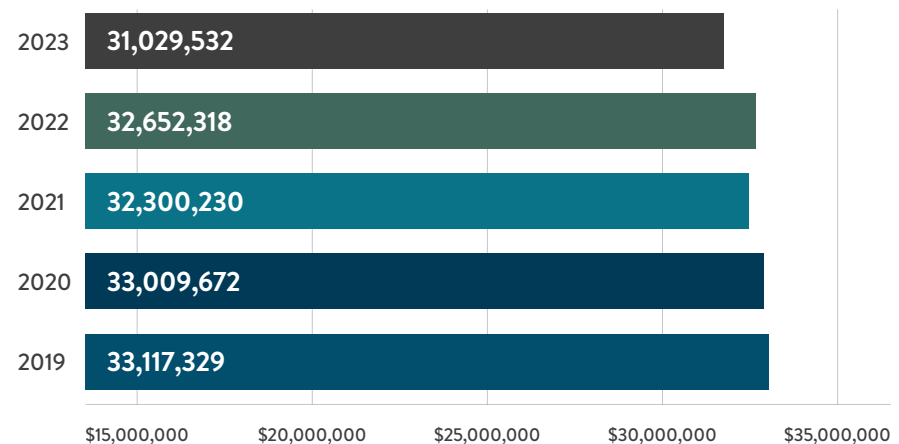
The CU ended 2023 with a net income of \$320,000 and a return on assets ratio (ROA) of 0.10%.

RETURN ON ASSETS



Red Rock CU's Net Worth ratio as an average of quarterly assets, increased from 9.35% to 9.50% during 2023. Red Rock CU's Net Worth position remained higher than the 7% level at which the NCUA considers a credit union "Well Capitalized". Total Net Worth, also known as members' equity, ended the year at \$31 million, with the decline from prior year due to the implementation of the accounting standard for credit losses noted above.

MEMBERS' EQUITY

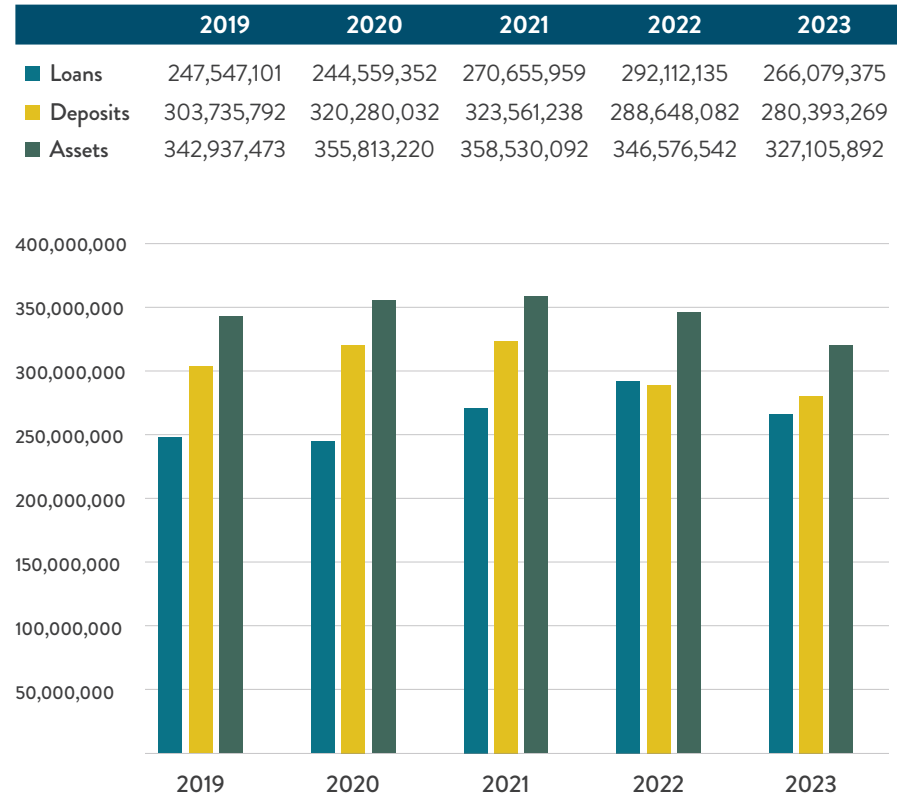


Liquidity became one of the most significant headwinds for the industry in 2023.

Red Rocks CU continued to experience the draw down on member savings that began in 2022 as the excess liquidity in the industry diminished. Additionally, competition for deposits was high as consumers were spending more for basic needs due to inflation and searching for the highest rates of return on excess funds. The Credit Union’s strategy was to retain as much deposit volume as possible through competitive rates on savings and certificate deposits, while maintaining sustainable margins. Additionally, the Credit Union released a new tiered checking product in the fourth quarter, designed to increase member relationships by providing valuable benefits to members at a low monthly cost. Total deposits ended 2023 at \$280 million, a decrease of \$8.3 million to prior year.

The high interest rate environment and liquidity considerations contributed to lower loan originations in 2023 than in prior years. Loan originations focused on the Home Equity Line of Credit (HELOC) and auto loan portfolios. Red Rocks CU initiated a HELOC loan participation during the third quarter of 2023 in the amount of \$5.3 million. Overall, the total loan portfolio decreased by \$26.0 million in 2023, a decrease of 8.9% to prior year.

FIVE-YEAR GROWTH TRENDS ARE ILLUSTRATED BELOW:



The Board of Directors and management of Red Rocks Credit Union remain committed to maintaining a safe and sound credit union for the benefit of the membership.

III.

REPORT OF THE CREDIT OFFICER

In 2023 the loan portfolio continued to perform well, and new loans added to our portfolio were primarily in high quality credit tiers with a weighted average FICO score of 744 for the year.

There was a concerted effort to return to a loan to share ratio range of 93-96%, while maintaining adequate liquidity in the face of declining deposit volume. This effort yielded lower loan volumes with \$9.1 million lent in new loans for the first six months of the year. As a result, the loan portfolio decreased by \$26,032,761 in 2023.

LOAN DELINQUENCY AND LOAN LOSSES INCREASED IN 2023 AS A RESULT OF:

1. Ongoing household financial stress due to high inflation and rising costs.
2. Lower new loan originations since newer loans tend to have better payment performance than loans which are deeper into their term.
3. Several key portfolio segments including acquired unsecured loans and loans purchased through participations aged into prime charge-off age where higher loan losses are expected.

	DEC-23	DEC-22	GROWTH \$	GROWTH %
1st Mortgage Loans	78,909,795	85,620,579	(6,710,784)	-7.84%
2nd Mortgage Loans	122,931,192	124,922,921	(1,991,729)	-1.59%
Auto Loans	35,919,762	40,768,954	(4,849,192)	-11.89%
Other Secured Loans	1,304,671	1,609,954	(305,283)	-18.96%
Credit Card Loans	3,994,137	4,163,323	(169,186)	-4.06%
Unsecured Loans	23,019,818	35,026,465	(12,006,647)	-34.28%
Total	266,079,375	292,112,136	(26,032,761)	-8.91%

In 2023, Red Rocks CU charged-off \$2,577,495 in loan losses. Of this amount, \$1,937,825 (75%) came from unsecured loan participations or acquired loans. To address rising delinquency in our on-book and internally serviced loans, we instituted a number of changes in 2023 including SMS payment reminders and calling at 10 days of delinquency rather than 20 days previously. These efforts yielded results as our fourth quarter monthly average balances for delinquent internally-serviced loans were 25% lower than third quarter and 38% lower than the second quarter.

LOAN QUALITY

Performance by product is shown below:

	BALANCE	DELINQUENCY	DQ %	NET LOSS \$	NET LOSS %
1st Mortgage Loans	78,033,336	-	0.00%	-	0.00%
2nd Mortgage Loans	122,836,274	1,235,088	1.04%	-	0.00%
Auto Loans	35,657,701	355,912	1.00%	76,544	0.21%
Other Secured Loans	1,304,671	-	0.00%	38,247	0.26%
Credit Card Loans	3,994,137	20,063	0.50%	116,406	0.29%
Unsecured Loans	22,599,013	435,551	1.93%	1,914,870	7.05%
Total	264,425,131	2,046,614	0.77%	2,146,067	0.78%

LOAN PRODUCTION

Loan production remains primarily in high quality credit tiers. Total loan production in the D/E tiers below a credit score of 640 was 4.34%.

Production by credit tier is as follows:

	A++ 780+	A+ 740-779	A 720-739	B+ 700-719	B 680-699	C+ 660-679	C 640-659	D 600-639	E <600	TOTAL
Auto	33.36%	25.56%	13.62%	9.07%	6.56%	3.96%	3.44%	3.17%	1.24%	100.00%
Other Secured	63.30%	0.00%	0.00%	0.00%	32.48%	0.00%	0.00%	4.22%	0.00%	100.00%
Real Estate	25.49%	26.79%	11.92%	11.04%	8.61%	8.25%	3.27%	2.13%	2.48%	100.00%
Unsecured	30.56%	33.03%	9.18%	17.53%	3.51%	3.89%	1.54%	0.67%	0.08%	100.00%
Total	29.48%	26.46%	12.57%	10.40%	7.45%	6.03%	3.27%	2.56%	1.78%	100.00%

We look forward to providing an outstanding lending experience for our members in 2024 and continuing to enrich the lives of our members.

IV. SAFEGUARDING MEMBER ASSETS

Since the credit union was originally chartered in 1979, the Red Rocks CU's Supervisory Committee has undertaken the responsibility of ensuring Red Rocks CU's books and affairs are examined, at a minimum, on an annual basis and that the credit union policies, procedures, and internal controls are adequately designed to safeguard member assets.

In 2023 the audit firm of SingerLewak was engaged to conduct the 2023 opinion audit of Red Rocks CU. SingerLewak noted the financial statements for the year ending 2023, presented fairly the financial position of Red Rocks Credit Union. The audit further stated the results of Red Rocks' operations and cash flows were in conformity with generally accepted principles of the United States of America. The 2023 Audited Financial Statements are available for review upon request.

In 2023 the Supervisory Committee also engaged that audit firm of FORVIS to conduct various audits related to credit union operations and controls. All areas reviewed were rated as Satisfactory.

As permitted by the Colorado Department of Regulatory Affairs Division of Financial Services and to create greater continuity and oversight by the Board of Directors the Red Rocks CU Supervisory Committee was dissolved in January 2024. The safeguarding of member assets now rests with the newly formed Board of Director's Audit & Risk Committee. Members of the new Audit & Risk Committee include Board Members Julie Mensing as chairperson, Cesar Amicarella, and Tiffany Watts. Together this team brings decades of audit, accounting, and risk management experience to their roles, and will continue to provide high level oversight and expertise to the safeguarding of member assets.

Julie Mensing

AUDIT & RISK COMMITTEE
CHAIRPERSON



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